GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

M/s. EMPI Innovation Park Private Limited – Establishment of manufacturing Cluster for Electronic Systems, Design and manufacturing, Aerospace and Defence and Water Innovation by incorporating Special Purpose Vehicle (SPV) with APIIC equity participation and permission to APIIC for allotment of land to the SPV to an extent of 264.06 acres in Palasamudram village, Gorantla Mandal, Anantapuramu district, etc. – Accorded – Orders – Issued.

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INDUSTRIES AND COMMERCE (INFRA) DEPARTMENT

G.O.MS.No. 76 Date:14-09-2015

Read the following:

1. MOU entered between Govt. of A.P. and EMPI Innovation Park Private Limited, dt.29.04.2015
2. From the Director, EMPI Innovation Park Pvt. Ltd., Letter dt.12.8.2015
3. Govt. Letter No.12663/Infra/A1/2015, dt.14.08.2015.
4. From the APIIC Single File No.48445/APIIC/OSD(P)/VIC/15, dated 26.8.2015

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ORDER:

In the reference 1st read above, EMPI Innovation Park Private Limited has proposed to establish a manufacturing cluster in Andhra Pradesh, focusing on Electronic systems, Design and manufacturing Aerospace & Defence and Water Innovation in the State of Andhra Pradesh, at Palasamudram village, Gorantla Mandal in Anantapuramu district. This cluster is proposed to be modeled on the lines of a 'Science Park', focused on academia, research, social infrastructure and industry to drive innovation and global manufacturing with the specific focus on the Defence and Aerospace and ESDM sectors, with M/s EMPI Innovation Park Private Limited having identified major clients who are ready and willing to set up their manufacturing units in the above sectors.

2. M/s. EMPI Innovation Park Private Limited has proposed an overall investment of Rs.450 crore in the cluster. It has projected to bring an investment of Rs.125 crore staggered equally over 5 years i.e. Rs.25 crore every year and the manufacturing units in the cluster bringing in an investment of about Rs.325 crore – out of which Rs. 25 crore will be brought in the first year itself and the remaining Rs.300 crore staggered equally over 4 years i.e. Rs.75 crore per year. Thus, a total investment of about Rs.450 crore is committed over a period of 5 years. In addition to the overall investment of Rs.450 crore in the cluster as above, the direct employment in the manufacturing units in the cluster has been projected at about 2,500 people with prospects of larger indirect employment, thereby ushering in the overall development of the region.

3. The cluster is proposed to house globally renowned players in the Aerospace and Defence manufacturing sector which will help launch the development of Aerospace and Defence sector, identified as a thrust sector for industrial development of AP. It is also likely to bring in significant downstream benefits by way of promoting ancillary industries and adoption of improved technologies, leading to development of multiple sectors.

(P.T.O)

4. The representatives of EMPI Innovation Park Private Limited have identified land in Palasamudram (V), Gorantla(M), Anantapuramu District, in consultation with the officials of Revenue and APIIC. The location is strategically located within two hours driving distance from Bengaluru, which will provide a strategic advantage to the potential manufacturing companies such as availability of skilled human resources, access to international airport, social infrastructure, academic institutions and innovation ecosystem.

5. The land identified in Palasamudram (V), Gorantla (M), Anantapuramu District for allotment, comprises of Acs.214.88 of assigned land and Acs.49.18 of Government land. The total extent thus identified is Acs.264.06, including the land for providing access/ approach road to National Highway 44.

6. The APIIC in the reference 4th read above, has stated that an Memorandum of Understanding (MoU) was executed between Government of Andhra Pradesh and EMPI Innovation Park Private Limited, on 29.04.2015, during the launch of the Industry Mission in Visakhapatnam for development of a manufacturing cluster in Strategic Electronics and Aerospace and Defence.

7. The Government of Andhra Pradesh has also approved the Industrial Parks Policy 2015-20 vide G.O.Ms.No.55 Industries & Commerce Department dated 23.07.2015 which deals with only general industrial parks and provides for Swiss Challenge method for selection of Developer as stated above. Further as part of the Aerospace and Defence Manufacturing Policy 2015-20, the Government has identified Anantapuramu and Chittoor/ Nellore districts as the preferred destination for setting up proposes an Aerospace and Defence Park (on PPP basis).

8. However, in this case, the proposal is with regard to a Cluster for Strategic Electronics and Aerospace & Defence, which is specifically covered under the G.O.Ms. No. 54 Industries & Commerce Dept, dated 23.07.2015. Further, given the marquee nature of the investment involving global technology and manufacturing expertise of industry leaders such as Airbus, it is felt that Swiss Challenge approach provided in the general Industrial Parks policy in this case may not only protract the engagement but also delay the investment plans, which are at an advance stage, and provide an open window/option for other States to compete and to come up with their offers especially, since Aerospace & Defence is now a priority sector under the Make in India program.

9. M/s. EMPI Innovation Park Private Limited has furnished a draft Memorandum of Agreement ("MoA") to be executed between EMPI Innovation Park Pvt. Ltd. and Government of Andhra Pradesh for necessary action. The following are the salient features of the MoA:

i. EMPI Innovation Park Private Limited has proposed to form a Joint Venture with GoAP/ APIIC and or its nominee in the form of Special Purpose Vehicle ("SPV"), incorporated in AP for development of the said manufacturing cluster.

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ii. GoAP through APIIC at Palasamudram, Mandal Gorantla, Anantapuramu District, will allot 264 acres of land to the SPV,on 99 years lease.

iii. EMPI Innovation Park Private Limited has committed to an investment of Rs. 450 crore, staggered over 5 years and direct employment in the cluster of 2,500 employees.

iv. APIIC has been offered an equity stake of 26% in the SPV and the remaining 74% will be held by EMPI Innovation Park Private Limited. Any further investment into the SPV as equity from an external investor will be brought in at a mutually agreed price and subject to prior approval of APIIC.

v. The initial equity capital of the SPV is proposed to be Rs. 50 crore. EMPI Innovation Park Private Limited would make an equity investment of Rs. 37 crores for which it would be allotted 74% equity share in the SPV. APIIC would be offered 26% share of equity in the SPV for proportionate value of the land. The equity of the APIIC will be in the form of land and the value of land to an amount of Rs. 13 crores shall be invested in the SPV (26% of Rs. 50 crore) The balance value of land would be paid outright by the EMPI Innovation Park Private Limited to APIIC Ltd.in accordance with mutually agreed payment plan.

vi. The SPV shall raise funds in the form of equity and/or debt for the infrastructure and overall development of the cluster, by way of various fund raising mechanisms, by mutual agreement. However, additional fund raising shall be the sole responsibility of EMPI Innovation Park Private Limited.

vii. Raising of any loans by the SPV by mortgaging the lease hold rights of the project land shall be used for development of the cluster only. The project land of the company shall not be used as a collateral security/ third party security other than by SPV. Such amounts drawn from banks will be proportionate to the progress of infrastructure development on site.

viii. The Board of Directors of the SPV ("Board") shall comprise of not less than (5) Directors. EMPI Innovation Park Private Limited shall be entitled to nominate 3 Whole-Time Directors, GoAP/ APIIC shall be entitled to nominate 1 Director and 1 Independent Director will be nominated by mutual consent.

ix. The nominee Director of APIIC shall continue as long as APIIC continues to hold its equity ownership.

10. Additionally, the following point is to be incorporated in the draft MoA submitted by EMPI Innovation Park Private Limited:-

i. The SPV, in turn, will be entitled to sub-lease the land to the proposed manufacturing units in the said sectors only.

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11. After detailed examination of the above proposal and in order to protect the interest of the APIIC and Government of Andhra Pradesh it is proposed to add necessary clauses which will be incorporated in the Shareholders Agreement with regard to equity, Directors and rights over SPV, on the following lines:

(a) Equity ownership of APIIC in the SPV shall at no point of time be reduced below 26% and it shall be the duty of the EMPI Innovation Park Private Limited to ensure the same. If new investors are to be brought in it can be only with prior written consent of APIIC Ltd.

(b) That any major decision with regard to the project having financial impact on APIIC Ltd. shall be only with the prior written consent of APIIC Limited.

(c) APIIC Limited shall have the right to appoint an Independent Auditor to monitor and /or evaluate the project and its progress.

(d) After the development of the infrastructure facilities in the cluster or (5) years from the date of handing over of possession of the land, whichever is earlier, APIIC shall have the right to exit from the SPV and such option will be at the sole discretion of the APIIC Limited. In such an event, the EMPI Innovation Park Private Limited shall pay to the APIIC Limited minimum guaranteed IRR of 12% or fair valuation of company or at the discretion of APIIC may choose to seek 26% of developed unallocated land, which ever cost is higher. In case the fair valuation so arrived is higher than the minimum guaranteed amounts then the APIIC shall have the right to offer the same to outside entities/agencies after giving first right of refusal to EMPI Innovation Park Private Limited.

(e) M/s. EMPI Innovation Park Private Limited shall not be permitted to assign/transfer development rights to any party within the first (5) years from the date of handing over of possession of the land.

12. The Vice Chairman & Managing Director, Andhra Pradesh Industrial Infrastructure Corporation (APIIC) Limited has requested the Government to issue orders on the following:

(i) to develop Industrial Park by the EMPI Innovation Park Pvt. Ltd., under Industrial Parks Policy 2015-20 duly exempting the Swiss Challenge Mode.

(ii) to permit the APIIC for allotment of 264 acres of land for development of Industrial Park by the EMPI Innovation Park Pvt. Ltd.,

(iii) to permit the APIIC for issue of a provisional allotment to the EMPI Innovation Park Private Limited and prior to finalize the agreements for JV duly incorporating the MoA conditions/other necessary clause/conditions with the approval of Board of Directors of APIIC for execution.

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13. Government after careful examination of the entire issue, hereby accord the following:-

(a) Permission to the APIIC Limited for formation of a SPV with EMPI Innovation Park Private Limited for the establishment of a Special Purpose Vehicle (SPV) for development of a Cluster for Electronic systems, Design and manufacturing, Aerospace and Defence and Water Innovation at Palasamudram village, Gorantla Mandal, Anantapuramu district ;

(b) Permission for minimum 26% equity participation of APIIC Limited in the SPV by way of land (partial value of the land) to be formed for the purpose of this project by EMPI Innovation Park Private Limited with a direction to the APIIC to take necessary action for finalizing the agreements for the JV duly incorporating the conditions and other safeguards, as stated in the paras above and duly obtaining the approval from the Board of Directors of APIIC. APIIC shall also explore the possibility of equity participation in the SPV beyond the minimum 26%.

(c) Permission to the APIIC Limited to allot land for an extent of 264.06 acres in Palasamudram village, Gorantla Mandal, Anantapuramu District, presently under its advance possession, to the SPV, after its incorporation, by entering into necessary agreement on the lines mentioned in the paras supra; and

(d) Exemption from the purview of Para 3.7 of the G.O.Ms.No.55, Industries & Commerce Dept., dated 23-7-2015, in adopting the Swiss Challenge method for the identification of the developer of the SPV, in order to protect the investments by marquee investors in the Aero Space, Defence and Electronic Space, who are showing keen interest in locating their units in the proposed cluster.

14. The Vice Chairman & Managing Director, Andhra Pradesh Industrial Infrastructure Corporation (APIIC) Limited shall take further necessary action in the matter, accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

S.S.RAWAT
SECRETARY TO GOVERNMENT &
COMMISSIONER FOR INDUSTRIAL PROMOTION

To
The Vice Chairman & Managing Director, APIIC Limited, Hyderabad.
The Director of Industries, A.P. Hyderabad
M/s. EMPI Innovation Park Private Limited,
#4040, Shubam, 18th Main, HAL 2nd Stage,
Bangalore-560038 through VC & MD, APIIC Ltd.,
Copy to:
P.S to C.S to Govt. of A.P.
P.S. to Secretary to Chief Minister,
P.S. to Secy. to Govt.& CIP., Ind. & Com. Dept.
The G.A. (Cabinet) Department.
Sc/Sf

//FORWARDED : : BY ORDER//

SECTION OFFICER